

# **CORRECTED FISCAL NOTE**

## **SB 1740 - HB 1826**

April 26, 2007

**SUMMARY OF BILL:** Defines “biodiesel” as it applies to Petroleum Products and Alternative Fuels Tax Law. Exempts biodiesel fuel from diesel fuel tax. Biodiesel fuel which is blended with petroleum shall be exempt from diesel fuel tax for portions considered biodiesel; portions considered petroleum remain taxable at the applicable diesel fuel rate. The effective date of this bill is June 1, 2007. This act shall be repealed effective July 1, 2013.

### **ESTIMATED FISCAL IMPACT:**

On March 26, 2007, we issued a fiscal note for this bill indicating *a decrease of revenues to the Highway Fund exceeding \$612,000, a decrease of revenues to the General Fund exceeding \$17,000, and a decrease of revenues for local governments that exceed \$221,000*. Based on additional information, the fiscal impact of this bill is as follows:

#### **(CORRECTED)**

##### **Decrease State Revenues –**

**Exceeds \$52,000 – FY06-07**

**Exceeds \$629,000 – FY07-08 through FY12-13**

##### **Decrease Local Govt. Revenues –**

**Exceeds \$18,000 – FY06-07**

**Exceeds \$221,000 – FY07-08 through FY12-13**

#### **Assumptions:**

- According to the Department of Revenue (DOR), there is at least one facility in Tennessee currently producing 5,000,000 gallons of biodiesel fuel each year.
- 100% of biodiesel produced in Tennessee remains in the state.
- Fuel mixtures of biodiesel and petroleum are currently taxable at the applicable diesel fuel tax rate of 17 cents per gallon.
- According to DOR, there are plans for three additional biodiesel fuel facilities to be completed in the near future with total production capabilities exceeding 100.0 million gallons per year.

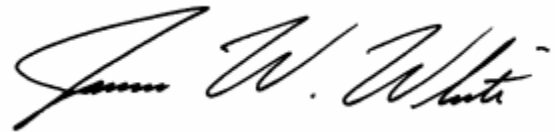
**SB 1740 - HB 1826**

**CORRECTED**

- The decrease to diesel fuel tax revenues is estimated to exceed \$850,000 per year (5.0 million gallons X \$0.17 tax = \$850,000).
- Diesel fuel tax revenue is apportioned as follows: 2% to the General Fund, 72% to the Highway fund, and 26% to local governments.
- The fiscal impact estimated for FY06-07 is 1/12<sup>th</sup> of a full-year impact and results from the June 1, 2007 effective date.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director